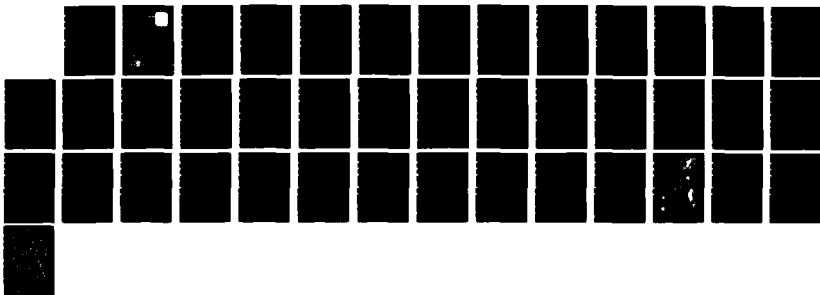


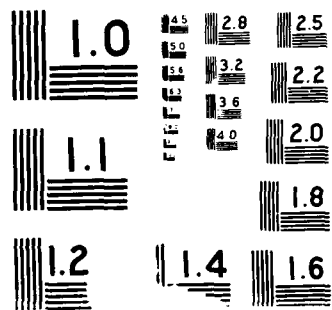
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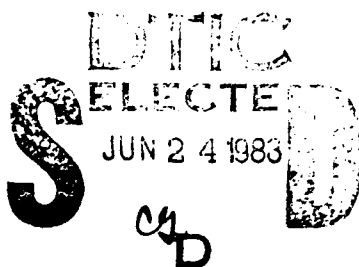
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THE PANAMA CANAL: AN ANALYSIS
OF ITS VALUE AND DEFENSE

BY

COMMANDER H. BRUCE DICKEY, USCG

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This paper investigates the current economic and military value of the Panama Canal and possible U.S. Coast Guard involvement in protecting United States interests there through an examination of the historical perspectives that are essential to understanding Panamanian-United States relations.

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USAWC MILITARY STUDIES PROGRAM PAPER

THE PANAMA CANAL: AN ANALYSIS OF ITS VALUE AND DEFENSE
AN INDIVIDUAL STUDY PROJECT

by

Commander H. Bruce Dickey, USCG

Commander Samuel W. Taylor, USN
Project Advisor

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U.S. Army War College
Carlisle Barracks, Pennsylvania 17013
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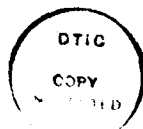
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CHAPTER I

INTRODUCTION

The purpose of this paper is to investigate the present strategic and military value of the Canal, address possible scenarios that would require United States Coast Guard involvement in defense or operations of the Canal, assess Coast Guard resources and make recommendations concerning future Coast Guard commitments.

The opening chapters will provide background information on the importance of the Isthmus of Panama and how the United States came to be involved in building a canal across it and will examine our past relations with the new country of Panama from its inception in 1903 until signing of the Panama Canal Treaties in 1977.

CHAPTER II

PANAMA: AN HISTORICAL PERSPECTIVE

The Isthmus of Panama was a crossroads of the Spanish Empire long before there was a permanent settlement in what is now the United States. In 1510 Vasco Nunez de Balboa along with nearly eight hundred other Spaniards traveled from Hispaniola to begin a settlement. Three years later with the aid of the local Indians, he was the first European to look upon the Pacific.

As early as 1534, surveys were made for the building of a canal between the new Pacific coast City of Panama and the major Caribbean port of Portobelo. When a canal was deemed not to be feasible, a stone road linking to two coastal cities was built over the mountains instead. Gold and silver from all the Pacific colonies crossed this road to the galleons waiting to transport it to Spain.

In 1739, in an attempt to consolidate its crumbling empire, Spain attached Panama to the Viceroyalty of what is now Colombia. This act set the stage for the Panamanians' drive for independence some one hundred sixty years later.

To the North, the United States, after winning its independence from Great Britain, paid close attention to the Caribbean basin because of U.S. trade interests. Early in the nineteenth century, Latin Americans took advantage of Spain's preoccupation with the Napoleonic Wars to fight for independence.

To thwart the winner of these wars from further empire-building in the Western Hemisphere, President James Monroe issued

a notice to the British. The Monroe Doctrine warned Europeans against trying to establish any more colonies and to refrain from interfering with U.S. interests in the Americas. In exchange, the American President promised "not to interfere in the internal concerns" of Europeans.¹

American interests in trade with Latin America increased with the acquisition of Florida and the rights to the Pacific coast of North America obtained from Spain in an 1819 treaty. With populations and traders on each coast, American businessmen expressed an interest in building a canal across the Isthmus as early as 1826. For the next thirty years, the United States and Britain vied for position throughout Central America to secure rights to build a canal.

The Gold Rush of 1849 spurred U.S. business interests in the Republic of Colombia state of Panama. The first transcontinental railroad was built across the Isthmus by Yankee financiers in 1855. The railroad not only brought wealth to the owners but also to the inhabitants of the two Panamanian cities it connected. However, much of the profit went to the Colombian government in the form of fees and taxes to support their troops in Panama. This action caused periodic revolts against what Panama saw as unfair masters in Bogota siphoning off the wealth from the railroad. This resentment of an external power was later extended to the United States and its canal for draining off a Panamanian source of wealth. Another important incident during this period was the so-called "Watermelon War" when (for the first time) American troops were landed in Panama to protect U.S. interests after a riot.²

The next challenge to American interests came in the form of Ferdinand de Lesseps, builder of the Suez Canal, who gained Colombian approval to build a canal in spite of U.S. protests. Despite his failure to complete a sea-land canal, he laid the groundwork of professional performance upon which U.S. engineers would eventually finish a lock system waterway.³

Even as de Lesseps was failing, pressure was building in America to construct a canal in order to promote cheaper transportation of goods to support the American vision of a higher level of civilization and freedom. Several events during the 1890's combined to increase American desires for a canal. The annexation of Hawaii provided a port for the Asian trade and a naval base to protect commercial interests. In line with a more global American outlook, the first battleships of a modern navy were constructed. As stated by the famous naval military strategist Alfred Thayer Mahan, a canal would "enable the Atlantic coast to compete with Europe, on equal terms as to distance, for the markets of Asia" and cut in half the distance to the west coast of Latin America.⁴ Mahan also argued that a canal was essential so that the fleet could quickly be deployed from one coast to the other for protection of both coasts and American commerce.⁵ Further impetus was provided by America's crushing victories of the Spanish-American War that brought with them additional territories in the Far East and Caribbean and propelled the United States into the arena of world powers.

The Hay-Pauncefote Treaty of 1901 cleared one of the final hurdles when Great Britain agreed to a U.S. built canal and

tacitly recognized the U.S. as the dominant power in the Western Hemisphere.⁶

ENDNOTES

1. Walter LaFeber, The Panama Canal, p. 7.
2. Paul B. Ryan, The Panama Canal Controversy, p. 6.
3. Miles P. DuVal, Jr., And Mountains Will Move, pp. 125-127.
4. Alfred Thayer Mahan, "The Isthmus and Sea Power," Atlantic Monthly, October 1893, pp. 470-472.
5. LeFeber, p. 16.
6. Ryan, p. 8.

CHAPTER III

THE CANAL AND UNITED STATES - PANAMANIAN RELATIONS, 1903-1977

A Frenchman, Philippe Bunau-Varilla, who had bought out de Lesseps' defunct company, lobbied with United States advocates to purchase his interest in the Canal.¹ Simultaneously, he plotted with Panamanian revolutionaries to counteract Colombian opposition to the purchase. In November 1903, the nationalistic spirit that had been fermenting for nearly a century culminated in a nearly bloodless coup that ousted the hapless Colombians. Diplomatic recognition from the United States three days later opened the doors for the 1903 Hay-Bunau-Varilla Treaty that cut Panamanian sovereignty and gave the U.S. Government the rights for building a canal. The clause granting the U.S. all sovereign rights in the proposed Canal Zone would be a continuing point of contention between the two countries.

After nine years of costly construction, both in lives and dollars, on 10 October 1913, President Wilson pressed a button in Washington, D.C. that blew out the last temporary dike holding back the water that would fill the canal. Approximately ten months later the first U.S. naval vessel transited the canal and opened it for world commerce.²

The economic fortunes of Panama have historically been tied to traffic across the Isthmus. Combine this economic dependence with a strong sense of nationalism and it can be understood why Panama has seen the Canal Zone as a "stake in the heart."³ The issue of sovereignty was a point of contention between the two

countries from the day the treaty was signed. President Roosevelt's interpretation of the issue stated that, while the United States exercised the "equivalent of sovereignty" over the Canal Zone, Panama retained "titular sovereignty."⁴ The initial clash in this matter came when the United States exercised sovereignty rights of the treaty outside the Canal Zone. These treaty provisions included: the right to control any lands outside the zone necessary for building or maintaining the canal; the right to use rivers, lakes or other bodies of water for any purpose relating to the canal; the power to take, by eminent domain, lands, buildings or water rights in Panama City and Colon; and a "monopoly" over any system of communication in Panama.⁵

Another long-standing irritation was the Americanization of the Zone. The prosperous, neat and clean zone located between Panamanian slums created a fertile ground of envy and discontent upon which political extremists could prey. These points of contention combined with the Roosevelt Corollary to the Monroe Doctrine, which placed the United States in the high-handed position of being a policeman to the Caribbean, led to frequent U.S. military interventions in Panama and the entire region.

An upper class oligarchy led the revolution that separated Panama from Colombia. This oligarchy dominated the country's politics and siphoned its resources under the protection of an informal colonization practiced by the United States during the first 30 years of the Canal's existence.⁶ The ruling class that formed the basis for political power was based on lineage and acquired wealth.

During the first 30 years of the agreement, the U.S. Government relied upon legal interpretations of the treaty to reserve the maximum freedom of action to counteract Panamanian political pressure for change. President Hoover made the first real change to our gunboat diplomacy approach in Panama by introducing a nonintervention policy. This new policy was put to the test when Dr. Arnulfo Arias led an armed rebellion that seized power in 1931. The U.S. did not interfere despite Arias' definite anti-American feelings.⁷

The Good Neighbor Policy started by Hoover was adopted and enhanced by President Franklin Roosevelt. He not only softened many terms of the 1903 treaty but also improved relations throughout Latin America. His efforts led to eventual ratification of the Hull-Alfaro Treaty that granted Panama fourteen concessions to the original treaty.⁸

In the prelude to World War II, relations with the Arias government became strained because of his pro-Axis stance and delaying tactics to American efforts in acquiring additional land for canal defense. This stance led to a coup d'etat ousting Arias in 1941. After the war, the newly acquired bases became a new point of disagreement. After violent Panamanian demonstrations, all U.S. troops were withdrawn and the bases closed in 1948. While this action satisfied Panamanian nationalistic feelings, it also created a severe economic impact because of lost jobs.⁹

The next major development in the two countries' relations was the 1955 treaty that granted further economic concessions but

still denied any recognition of Panama's claim to "titular sovereignty" over the zone. The remainder of the fifties and sixties were marked by demonstrations and occasional riots demanding recognition of Panamanian sovereignty in the zone. This same timeframe also saw a continuation of corrupt internal politics and strongarm tactics in seizing control of Panama's government. The Panamanian actors ranged from Arias, who returned to power for a third time in 1968, to military strongman Colonel Omar Torrijos who eventually succeeded Arias in 1969.¹⁰

While Arias' ascension to power was a civilian, middle class backed departure from oligarchy rule, Torrijos drew his power from a different source. The new General Torrijos' power base was the upper echelons of the 6,000-man Panama National Guard. He embodied the 150-year Latin American "caudillo" tradition of a charismatic, military leader who seized power from an inept and corrupt civilian regime. To the army power base, he added the populist aspect of appealing to the masses by promising the poor a better future and by condemning United States domination.¹¹

During the early seventies, Torrijos instituted several urban and rural development projects to decrease the country's dependence on the canal and the United States. These measures required substantial loans from international banks. Because, by law, Panama's currency is the dollar and its primary trading partner is the U.S., when the U.S. economy took a downturn in the early seventies so did theirs. These events combined to create a situation where foreign banks controlled 91 percent of the

deposits and 77 percent of the loans in Panama by 1976. Because his internal economic measures had failed, Torrijos was forced to turn again to canal revenues for survival.¹²

General Torrijos renewed his campaign for sovereignty of the zone by inducing the United Nations Security Council to hold a meeting in Panama to focus world opinion on the canal issue. The United States veto of the resulting resolution had the effect of generating support for Panama's view. This support was particularly strong in Latin America. East-West tensions and the need for Latin American resources combined to make conditions for new negotiations ripe. Secretary of State Henry Kissinger and Panamanian Foreign Minister Juan Tack made an eight-point agreement on how to replace the 1903 treaty with a new agreement having a fixed termination date.¹³

The Eight Point Pact, signed in February 1974, set forth pledges on the part of each country that would be finalized in the new treaty. Although the negotiations took until August of 1977 and caused a storm of heated debate in the United States, an end to the hated 1903 treaty that gave the U.S. control of the canal in perpetuity was in sight for the Panamanians.

ENDNOTES

1. Norman M. Smith, "Our Changing Role in Panama," Parameters, September 1978, p. 10.
2. "Ceding the Canal - Slowly," Time, 22 August 1977, p. 10.

3. "Passing Parade of Ships Reflects Progress of World: From Steam to Atomic Energy," The Panama Canal Review, Spring, 1972, p. 16.
4. Walter LeFeber, The Panama Canal, pp. 43-44.
5. Ibid., p. 45.
6. Ibid., p. 58.
7. Paul B. Ryan, The Panama Canal Controversy, pp. 25-26.
8. Ibid., p. 27.
9. Ibid., pp. 34-35.
10. LeFeber, pp. 115-131.
11. Ibid.
12. Ibid., pp. 176-177.
13. Ryan, pp. 95-96.

CHAPTER IV
THE PANAMA CANAL TREATIES OF 1977

The 1903 treaty was replaced by two treaties; the Panama Canal Treaty and the Panama Canal Neutrality Treaty. Seventy-six years of American control over the Canal Zone ended on 1 October 1979 when the Canal Treaty went into effect. This treaty terminates on 31 December 1999. The Neutrality Treaty does not contain a termination date and is not bilateral in nature.¹

The first, and perhaps most important, change for the Panamanians is that the Panama Canal Treaty sets up a timetable for the systematic turnover of canal operations by the year 2000. Until then, the United States retains responsibility for the operation and defense of the canal.

The 1903 treaty established the Panama Canal Company, an instrumentality of the U.S. government, that operated the canal under U.S. military leadership. Military jurisdiction, in the form of Governor of the Canal Zone, also ended in 1979. The new treaty replaces the Company with a nine member board called the Panama Canal Commission.² The Commission consists of five Americans and four Panamanians who are appointed by the United States. An American administrator with a Panamanian deputy is in charge of the canal's operation and reports to the Commission. After 31 December 1989, the nationalities of the administrator and deputy will be reversed.³

There are also a Consultative Committee and a Combined Board with equal U.S. and Panamanian membership. The Consultative

Committee serves as a review board for canal operations and is advisory in nature. The Combined Board is a joint military body that is responsible for the combined defense of the canal. In addition, there are several other joint subcommittees that deal with administrative matters such as: acquisition of supplies and services; telecommunications; vehicle registration; taxes; service installations; telecommunications; etc.⁴

The new agreement gradually changes the discrimination in pay scales between American and Panamanian employees. In this effort, it increases the hiring and training of natives to fill all job categories. This provision has been seen by the approximately 3,500 American employees, "Zonians," as a means of forcing them out. With the dissolution of the U.S. Canal Zone Government, Panama now exercises full sovereignty over the former zone. This change to Panamanian laws and procedures has also created some discontent among the Zonians.⁵ However, the "status of forces agreement" we have with Panama provides the same protection to U.S. civilian employees that the military personnel enjoy.⁶

During the life of the new treaty, the United States has agreed not to construct a new canal outside Panama and to conduct a study on the feasibility of constructing a sea-level canal in Panama. In return, Panama will not permit another canal to be built without prior U.S. approval.⁷

The economic advantages to Panama contained in the treaty are impressive. Through increased sharing of revenues, payment for services and fixed annuities from the U.S., the Republic of

Panama is now receiving approximately 70 million dollars per year. In addition, approximately 83 million dollars in property and buildings were transferred to Panama. Separate from the treaty, the U.S. instituted an aid package worth 345 million dollars. By the year 2000, it is estimated that from all sources associated with the treaty, Panama will gain 2.3 billion dollars.⁸

During the debate on ratification of the new treaties, a primary issue was the effect the treaties would have on the United States' ability to defend the canal and, more generally, on the U.S. defense posture in total.

The Panama Canal Treaty provides for the joint defense of the canal by the U.S. and Panama. However, the United States retains primary responsibility until the year 2000. To carry out these responsibilities the U.S. will retain several military installations for the life of the treaty. The status of each area of the old canal zone is illustrated in Appendix 1.⁹ The joint defense provision recognizes that the present U.S. forces could not defend the canal without the cooperation of Panama. Other non-defense related military installations that have been or will be phased-out are the U.S. Army School of the Americas, the U.S. Air Force Inter-America Air Force Academy and the Jungle Operations Training Center. During the transition period, the U.S. is assisting the Panamanian military in improving its defense capabilities.¹⁰

After the year 2000, the Neutrality Treaty plays a more important role. This agreement, with no termination date,

ensures the permanent neutrality and operation of the Panama Canal. It's most important provisions are as follows:

- " -- The canal will be open to all ships of all nations, on a nondiscriminatory basis and at reasonable tolls.
- U.S. warships will transit the canal expeditiously - that is, without delay and, in an emergency, at the head of the line.
- After 1999, when the United States turns over stewardship of the canal to Panama, and withdraws its military forces, only Panama may operate the canal. No third power is allowed to take over. And no foreign troops can be stationed in Panama.
- This same set of rules will apply to any other interoceanic canal that may be constructed in Panama, no matter who may build it or when.
- The United States retains all rights necessary to take whatever actions may be required to ensure the canal's neutrality and security. Those rights include the right to use military force. However, they do not include the right to intervene in Panama's internal affairs."¹¹

The United States' historic interests in our relations with Panama have been to promote stable governments, even dictatorships, and to use economic incentives to maintain a canal that is efficient, secure and available for our use. What Panama saw was an issue of national pride and prestige. They viewed continued U.S. "ownership" of the canal and their resulting economic dependence as the worst example of Yankee imperialism.¹² The treaties recognize that the policies of 1903 no longer apply and that the best way to ensure the canal remains open is to make that goal important to Panama.

ENDNOTES

1. "The United States and Panama: Two Nations Separated by a Canal," The Defense Monitor, January 1978, p. 1.
2. Ibid.
3. Norman M. Smith, "Our Changing Role in Panama," Parameters, September 1978, pp. 10-11.
4. Ibid.
5. Ibid.
6. Charles W. Duncan, Jr., "Defense and the Panama Canal," Supplement to the Air Force Policy Letter for Commanders, March 1978, pp. 15-18.
7. The Defense Monitor, p. 2.
8. Ibid., p. 5.
9. Smith, p. 13.
10. The Defense Monitor, p. 4.
11. Duncan, p. 18.
12. The Defense Monitor, p. 7.

CHAPTER V
VULNERABILITIES AND THREATS TO THE
DEFENSE OF THE CANAL

Over its lifetime, the Panama Canal has proven to be a vital asset to the United States for both economic and military reasons. In the days when the battleship was a major strategic weapon the canal permitted the U.S. to have a "two-ocean navy" at a greatly reduced cost by permitting the rapid shifting of resources. It shortened the distance for commerce to many markets of the world. Despite this history, many now say that the canal has lost its strategic value.¹

The economic impact of a closed canal is a varied situation. Recent figures indicate that less than one-fifth of U.S. oceangoing trade impacting on only one percent of the U.S. gross national product would be affected by a canal closure. Some of the reasons for this drop are that oil tankers and many of the bulk container ships are now too large to transit the canal. To accommodate this, West Coast ports have developed large off-loading facilities and transcontinental shipping centers. The impact on the United States would be slightly higher consumer prices. It is estimated that the economy could adjust in five to ten years if there were no canal.² The economic impact on Japan, South Korea, Taiwan, New Zealand and the Caribbean basin nations would be much more severe. This fact should generate increased international support for ensuring the canal stays open.³

The military value of the canal has also decreased, but less dramatically. The modern aircraft carrier, which is the hub of our forward deployed naval strategy, cannot transit the canal. Submarines must surface going through which diminishes their element of surprise. The need to shift naval resources from coast to coast is much less today. The canal today is also much more vulnerable to a larger spectrum of threats ranging from guerilla or terrorist warfare to nuclear weapons.⁴

Despite this decline, the canal still has significant military uses. Although the largest warships cannot use the canal, there are still over 400 U.S. Navy vessels, including the cargo fleet, that can. This ability would prove to be very valuable in support of our allies in the Far East. Mobilization of West Coast units for a conflict in the Western Europe theater would save money and up to five days transit time using the canal. One last point is that the canal is home to important military bases until the year 2000. These bases, including the Southern Command, provide a means of projecting U.S. power in the area during a period of decreasing influence. As demonstrated, the canal still retains an important role in the maintenance of U.S. sea lines of communications (SLOC's).⁵

To protect these interests, the United States must identify potential threats to the canal and the surrounding area. The construction features of the canal provide the two most evident physical vulnerabilities. These are the lock system and the dams that hold back the water necessary to operate the locks. Both potential targets would be difficult to guard against sabotage,

guerrilla raids or air attack. A rupture of one of the dams allowing either Gatun or Madden Lake to drain completely would close the canal for up to two years. The dense jungle surrounding much of the canal would serve as an ideal operating area for guerrilla or terrorist activities. Armed with portable rockets and mortars, such groups could do much damage and would be difficult to capture.⁶

Other areas of vulnerability are the narrow channels cut through the mountains, such as the eight mile Gillard Cut. These steep walled cuts would be easy targets for man-made land slides or attacks to sink a vessel that could block the channel.⁷

The U.S. personnel who run the canal and all American dependents in the area represent a unique vulnerability. Most critical among the employees are the highly experienced pilots who guide the ships through the canal. The workers and dependents could be targets for terrorists attacks or hostage taking.⁸

There are a wide variety of threats that can take advantage of these vulnerabilities. Because there is presently no practical defense against nuclear weapons and a conventional strike is not probable, most defense thinking has focused on combating civil disturbances, guerrilla activities and terrorist tactics. Each of these threats would be exacerbated by the presence of an unfriendly Panamanian government. For example, past governments of the Republic of Panama have been openly friendly with Cuba and the Sandinistas in Nicaragua.⁹ Intervention by agents or "volunteers" from either or both of

these countries "with either active or passive support from the people, government and armed forces of Panama"¹⁰ would pose a considerable threat. To respond to such a threat it is estimated that approximately three combat divisions would be needed to guard the canal from long-term damage. Even this large number of forces could not guarantee that the canal would stay open.¹¹

Given the above threats and possible scenarios, it can be seen that the active support of Panama and its people is needed for the defense of the canal. This factor alone gave the United States sufficient reason to agree to the Panama Canal Treaty of 1977. As explained in Chapter IV, the joint defense provisions of the treaty give the Panama National Guard a cooperative defense role with U.S. forces until the Panamanians assume full responsibility in the year 2000. Although small and lightly armed, the National Guard is well trained to combat the most likely threats of guerrilla or terrorist attacks.¹² In addition, the U.S. has expanded training and military arms sales to increase Panama's ability to counter conventional attacks. In the event Panama requested military assistance to combat a threat, the U.S. would be in a position of having both Panamanian and American public support on its side. Such an action would be seen in a positive light by other Latin American countries as requested assistance rather than intervention by the U.S.

Even if these cooperative measures should fail, "the United States retains the right to act, unilaterally if necessary, to protect the canal and maintain its neutrality."¹³ The Permanent Neutrality Treaty, which went into effect on 1 October 1979

recognizes that the basic U.S. interest is the use of the canal, not its ownership. Because the wording of the treaty was vague and somewhat ambiguous, President Carter and General Torrijos met to pound out an agreement on their meaning. As a result, the White House issued a statement of understanding on 14 October 1977. The understanding clarified the "U.S. right to take unilateral action to protect the canal, the head of the line provision for U.S. naval vessels in time of emergency, and that these provisions did not give the U.S. the right to intervene internally in Panama."¹⁴

With the change in leadership and conditions in both countries that have occurred and will continue to occur during this century and beyond, the challenges to make the neutrality treaty work will be many.

ENDNOTES

1. Lieutenant Colonel Jack Child, "Military Aspects of the Panama Canal Issue," Proceedings, January 1980, p. 47.
2. Paul B. Ryan, The Panama Canal Controversy, pp. 92-93.
3. Walter LaFeber, The Panama Canal, pp. 222-223.
4. Ibid.
5. Dr. Peter M. Sales, "Washington's Losing Battle for the Panama Canal," Pacific Defense Reporter, November 1986, pp. 33-34.
6. Arthur Collins, "Canal Defense," The Officer, January 1978, pp. 20-21.
7. Child, p. 48.
8. Ibid.

9. Sales, pp. 33-35.
10. Child, p. 49.
11. Collins, p. 21.
12. Child, p. 50.
13. Ibid.
14. Ibid.

CHAPTER VI

ASSESSMENT OF U.S. COAST GUARD RESOURCES AND THEIR ABILITY TO ASSIST DURING CANAL EMERGENCIES

The U.S. Coast Guard is a complex organization of approximately 38,000 officers and enlisted men and women who operate numerous ships, aircraft, boats and shore stations in locations around the world. A primary Coast Guard strength is its multi-mission structure. For example, a ship may enforce fisheries laws in the two hundred mile U.S. economic zone, rescue the crew of a sinking ship, interdict a vessel smuggling drugs, fix a navigational aid, and deploy a containment boom to prevent the spread of an oil spill, all during the same patrol. Coast Guard Air, which is the seventh largest naval air force in the world, also possesses the same ability. This multi-mission concept also provides the flexibility for the Coast Guard to move rapidly from its peacetime missions to its defense readiness responsibilities.

The responsibilities of the Coast Guard can be grouped under three basic mission areas. These basic missions are Maritime Law Enforcement, Maritime Safety, and Defense Readiness. These missions involve the following actions:

- "Remain constantly ready to defend the U.S., insure national security, and protect national interest.

- Minimize loss of life and property, personal injury and property damage at sea and in U.S. waters.

- Enforce the laws and international agreements of the U.S.

- Assure the safety and security of marine transportation, ports, waterways and related shoreside facilities.

Promote marine transportation and other waterborne activity in support of national economic, scientific, defense and social needs.

Protect the marine environment and its creatures.

Project the interests of the U.S. in relationships with the maritime nations of the world.

Assist other agencies in performance of their duties and cooperate in joint maritime ventures.

Assure effective U.S. presence in polar regions.

Provide an effective maritime communications system."¹

To further delineate the basic mission areas, there are twelve primary operating programs within the Coast Guard.

"Aids to Navigation:

Promotes the safe passage of marine traffic by providing accurate and continuous all-weather position determining capabilities. These aids consist of buoys, shore markers, lighthouses and radio-navigation systems such as LORAN and OMEGA coverage around the world.

Boating Safety:

Reduces lives lost, persons injured and property damage in recreational boats by promoting uniform federal and state safe boating laws and construction regulations.

Defense Operations:

Maintains constant defense readiness by development of plans to ensure security of ports, support of strategic sealift and statutory wartime missions. In consort with the Navy, Maritime Defense Zone Commanders are responsible for coastal defense planning and training in preparation for defensive wartime operations to ensure security of ports and approaches out to two hundred miles offshore.

Environmental Response:

Minimize damage caused by pollutants and help prevent environmental threats by developing national and international pollution response plans.

Ice Operations:

Promotes maritime transportation in polar and domestic ice-laden waters by providing ice breaking capabilities for commercial, federal and scientific organizations. Provides ability for projection of United States interest in Polar Regions.

Law Enforcement:

Enforces all federal laws on the high seas and U.S. waters. Works in consort with other law enforcement agencies for interdiction of smugglers moving drugs and illegal migrants and enforces the U.S. Exclusive Economic Zone out to two hundred miles at sea.

Marine Inspection:

Minimizes deaths, injuries, property damage and environmental dangers by developing and enforcing standards for design, construction, maintenance and operation of commercial vessels and offshore facilities.

Marine Licensing:

Licenses and certifies U.S. Merchant Marine officers and seamen and regulates manning of commercial vessels.

Marine Science:

Provides weather and oceanographic services to other federal agencies and operates the International Ice Patrol.

Port Safety and Security:

Protects ports, waterways, shoreside facilities, vessels and workers from accidental or intentional damage or injury. Captain of the Port offices regulate normal operations and plan for anti-terrorist activities.

Search and Rescue:

Maintains facilities on all coasts to provide aid to people and property in distress. Under the National SAR Plan serves as maritime search and rescue coordinator. Operates the international Automated Mutual-assistance Vessel Rescue System (AMVER) and in cooperation with other nations designed the SARSAT emergency position locator satellite system.

Waterways Management:

Develops and operates vessel traffic management systems to promote safe passage in congested harbors and waterways."²

From this brief overview, it can be seen that many of the regular missions of the Coast Guard would provide a basis of expertise that could be used in times of emergency to maintain the security and operation of the Panama Canal.

There are no naval vessels permanently assigned to Southern Command. In its drug interdiction efforts, the Coast Guard routinely has several "blue water" units patrolling the chokepoints in the Caribbean and off the coast of Colombia. If national priorities dictated increased importance to protection of the canal, these units could be diverted to patrol its approaches.

The U.S. Army maintains a number of "brown water" craft for close-in and river operations. However, these units are small and limited to smooth water operation. The Coast Guard operates approximately two thousand small boats in performance of its various missions. The experience gained in law enforcement, search and rescue and port safety would prove invaluable for harbor and close-in offshore security missions.

The Coast Guard's knowledge of marine inspection could also be utilized for examining ships that transit the canal. A preset charge that could sink a ship in an area such as the Gaillard Cut could close the canal for months. A serious terrorist threat might require the inspection of each transiting vessel.

In the event of a general uprising or large insurgency, many of the Canal Commission employees may not be available to carry out their duties due to either coercion or complicity. In this event, it may be necessary to augment the Canal Commission work force with specially trained military personnel. Coast Guard personnel are uniquely qualified to perform a number of these duties. These jobs could include the manning and operation of tugs, ship line handlers and, with some local training, even canal pilots if necessary.

In summary, if U.S. national interests dictate, the unique qualifications and multi-mission concept of the Coast Guard make it flexible enough to aid in the protection and operation of the Panama Canal during emergencies. It must be recognized, however, that any prolonged involvement would either degenerate current missions or require additional resources.

ENDNOTES

1. "Fact File, 1987-1988," p. 18.
2. "The Coast Guard, An Overview," Commandant's Bulletin, September 1987, pp. 1-18.

CHAPTER VII

CONCLUSIONS AND RECOMMENDATIONS

The debate concerning the Panama Canal's value started during the 1977 Canal Treaty deliberates and continues to a lesser degree today. As the phased turnover procedures wind their way toward the year 2000, the United States must continue to reevaluate its national interests in the canal.

Although the direct economic impact of the canal on the U.S. is relatively small, its economic value to our allies and Latin American trading partners remains high. As the economies of the free world continue to move closer to an interdependent world economy, the derived value of the canal increases for the United States. This increase in value to the U.S. is because it is important to have strong economic allies and because the solution to solving many of Latin America's stability problems is dependent upon improving their economies.

As previously stated, although the military value of the canal has declined slightly, it still retains the status of a vital national security interest. Dealing with the United States deficit reduction problem has created the need to cut back funds dedicated to naval resources. Given that the cutbacks will not come from the major combatants such as aircraft carriers, the escort and support vessels may well be fewer in number. In this event, the "swing" tactic may need to be employed again by the U.S. Navy. A reduced force level would make the Panama Canal a

ship "multiplier" because escort and support vessels can utilize the canal to transit more rapidly from one ocean to the other.

Because an efficiently run canal open to world commerce is in the United States' national interest, implementation of a smooth transition to Panamanian control is critical. The United States also desires to promote democratic governments that are responsive to the people's needs. The current difficulties with the dictatorial regime of General Manuel Antonio Noriega make accomplishment of both of these goals almost impossible.

As can be seen by the historical perspective provided in this paper, the Panamanians have developed and retain an intense National pride. However, this pride is tempered by concern for the continued successful operation of the canal. The canal and associated activities are a primary source of income for the country. For many Panamanians, the canal is their whole life. Their fathers and grandfathers worked for the canal. They live in former canal zone housing and are dedicated to the canal's efficient operations. These Panamanians view the present political instability and system of government as a threat to their livelihood.¹

The Noriega government is rife with corruption and cronyism. General Noriega has been indicted by a U.S. court for drug smuggling and is suspected of being involved in gun running. He placed family and friends in key management positions for the trans-isthmus railroad and port facilities previously turned over by the U.S. Little or no maintenance funds were reinvested so that each activity is now in disrepair and sometimes do not

operate at all. The Panamanian and dual-citizenship American employees fear the canal will share the same fate.² To ensure a smooth transition to Panamanian control, the United States must continue its nonmilitary pressure to oust Noriega so that a representative government can be established.

When the situation in Panama has stabilized and the canal transition efforts return to normal, the U.S. Coast Guard should play an important role. The Naval Component Commander for the Southern Command should work with the Coast Guard for increased involvement in the security assistance program for Panama. Because of Panama's limited naval capabilities, this assistance should concentrate on the areas of Port Security and Safety, Counter-Terrorism, and Drug Interdiction. The Coast Guard's expertise in these areas, as well as small boat operations, make it the best United States resource to carry out this assistance program.

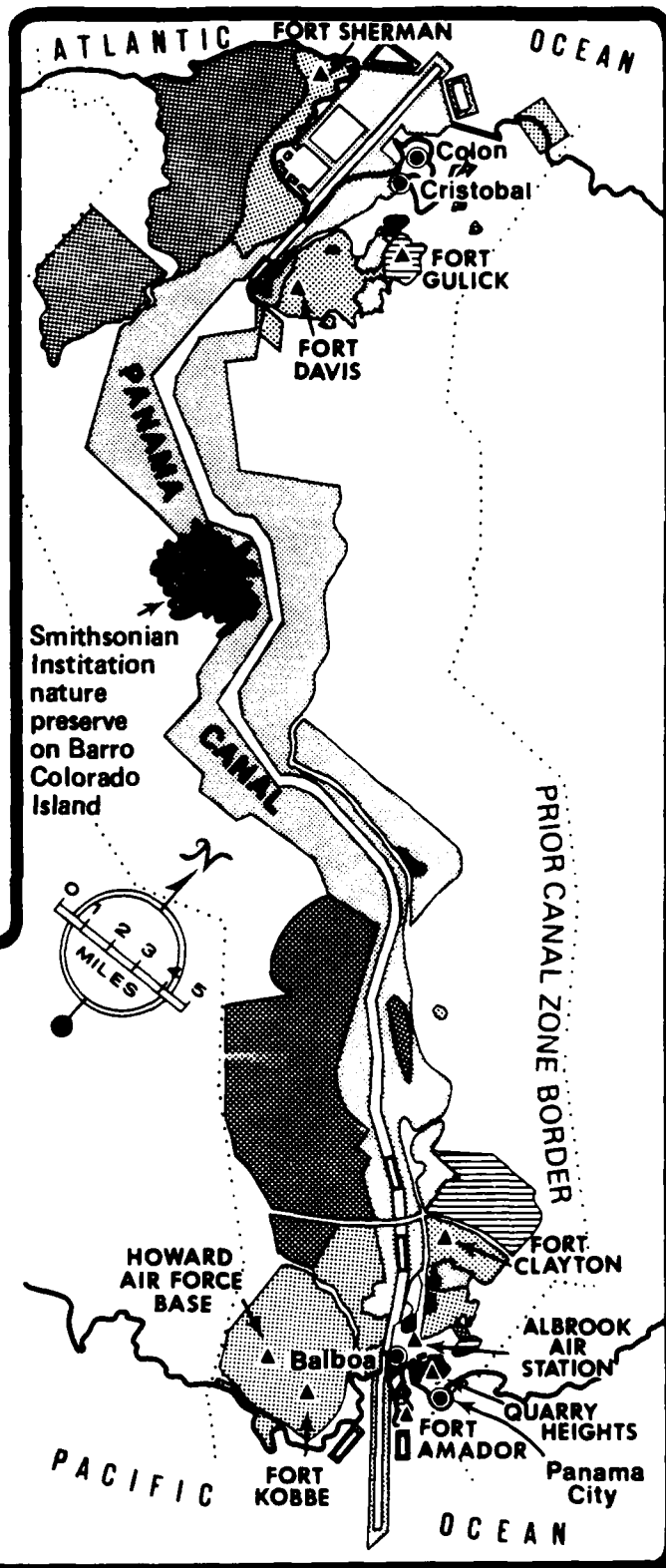
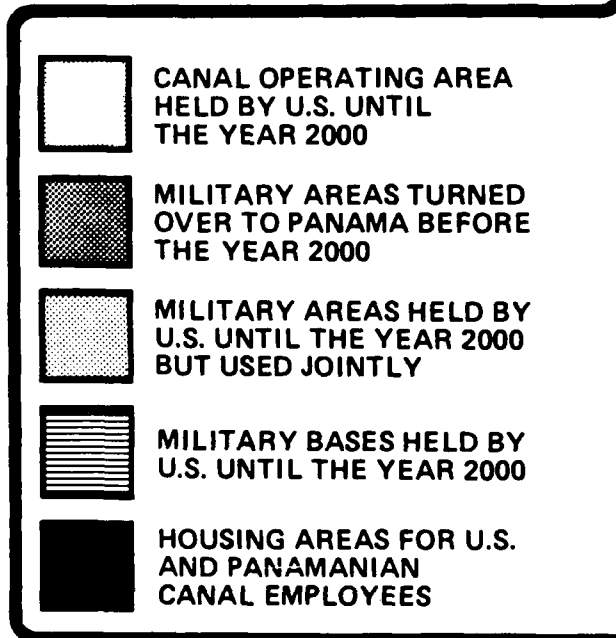
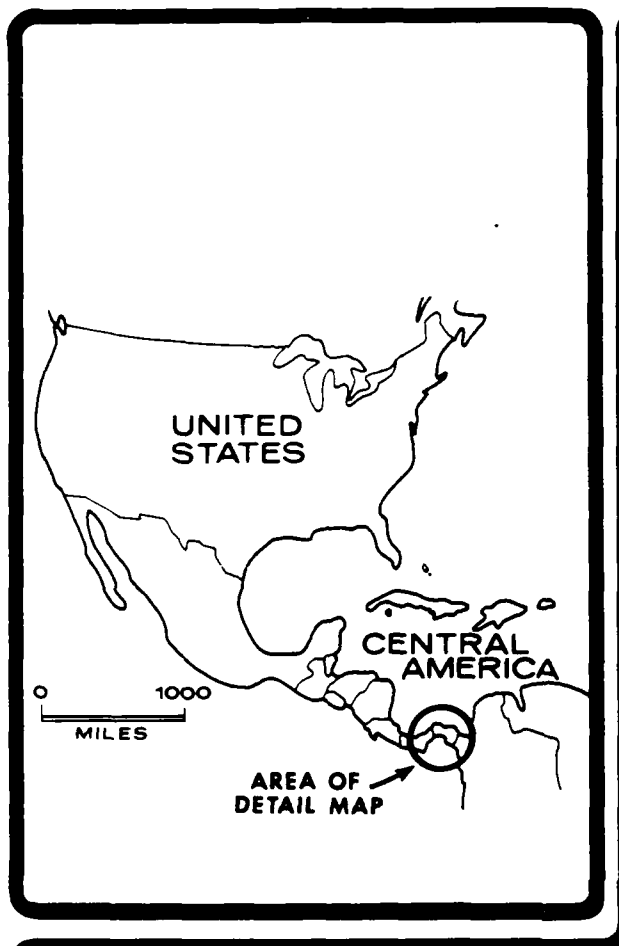
The Coast Guard can also play an important role, should the United States decide that unilateral action is necessary, to ensure the neutrality of the canal and to protect American citizens in Panama. Plans for such actions would extend through the life of the Panama Canal Treaty of 1977 and beyond the year 2000 under the terms of the Neutrality Treaty. While the specific tasks assigned to the Coast Guard under such a contingency plan should be classified, I can recommend general areas of involvement. The Southern Command should work with the Coast Guard to establish agreements that would assign an expanded

role in the areas of port and harbor security, mine countermeasures and humanitarian evacuation plans.

The Panama Canal, as part of the sea lines of communications, will remain of vital interest to the United States in the foreseeable future. The Panama Canal Treaties of 1977 established a framework to protect those interests and the United States Coast Guard can and should play an important role in those protection plans.

ENDNOTES

1. Interview with John P. Deleonardis, Capt., U.S. Coast Guard Liaison Officer to the Panama Canal Commission, Washington, 18 March 1988.
2. Ibid.



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